

Managed Fund: staying focused on what is important since 1987

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Since 1987, the Managed Fund has proved the theory that sometimes the simplest solutions can deliver great success. Ian McCombie and Steven Hay offer an insight into how the fund can help you solve the puzzle of investing in a complex world.

Your capital is at risk.

Ian McCombie (IM): The Baillie Gifford Managed Fund has been on the go for three decades, and over that period it's had a consistent, tried and tested approach.

Steven Hay (SH): The Managed Fund is straightforward, easy to explain to clients, and a very cost-effective way to invest your money. How have we achieved this over the last three decades? We've stayed focused on what's important and this could be summed up in three key words. The first of those words would be simplicity. We think the investment world can be extremely complicated and our Managed Fund aims to keep it really simple.

IM: It's made up of equities, bonds and cash, and we think to generate great returns, that's all you need.

SH: We invest around 75 per cent of the portfolio in equities. They are the main driver of returns in the portfolio. We typically have around 20 per cent of the portfolio in bonds, and they're there because they have lower volatility than equities, and they provide diversification.

IM: Cash has two attributes, one, like bonds it gives you diversification, but it has another attribute, which is when the stock market or the bond markets are very attractively valued you can use that cash and put it to good work.

SH: The combination of these three asset classes allows the portfolio to be more balanced than any one asset class and that's what we believe our clients want.

IM: The second word is consistency. What I mean by that is that we continue to invest in exactly the same way as we have done for the past three decades. We like to talk about actual investing. There's a very stale debate in the industry about passive against active management. When we talk about actual investing, what we're really trying to do is to identify and own attractive investment ideas, and own them for many years. That's what actual investing should be about.

SH: The investment world is notoriously short term. We understand that it takes time for these companies to deliver the change they're going to do, and so we align our investment horizon with that of the businesses we invest in.

IM: We think by being patient you start to tilt the odds in your favour. If you're not patient you could be missing out on some investment opportunities that will generate huge returns over long term.

SH: We typically hold investments in companies for around seven years and some of the companies have been in the portfolio for over 20 years.

IM: We're growth investors and the reason for that is that we think that over the long run, share prices follow fundamentals.

SH: We're looking for companies that can grow to be a multiple of the size they are today. We're looking for innovators and disruptors. If we can invest in growing, durable businesses, good things generally happen.

The third key word is repeatability. It's how do we keep doing this consistent process again and again.

IM: Baillie Gifford is an unlimited liability partnership. We think that gives us a huge advantage because we're not worried, as a business, about the short-term profitability. What we're trying to do is do the right thing for our clients first.

SH: So how do you define culture? The culture at Baillie Gifford has developed since the firm was started in 1908.

IM: It's very important for you as an investor to understand that our culture is very much investment led, so we're trying to focus on the things that are important. It's a partnership that allows us to have that investment culture.

SH: Experience is important. There's over three decades of experience in this fund. There are six of us managing it and each of us has on average 20 years investment experience.

IM: The majority have spent their entire investment career at Baillie Gifford like myself, and that is a huge advantage in terms of being allowed to focus on what's really important. The benefit I think of having 100 investors in Baillie Gifford is that you can tap into that expertise. And it's not about one person picking all the great ideas, you're really using the combined experience of all those investors in Baillie Gifford, that's what team work is about.

The problem of our industry is a lot of people charge high fees, and that really eats into the client's returns over the long term, so if you've got a very strong fund with good fundamentals and good people running it, the low fees are like the cherry on the cake.

For a lot of investors the investment world looks like a big puzzle.

SH: So we've solved that puzzle by bringing together Baillie Gifford's best ideas in equities and bonds and put them in one portfolio, our Managed Fund.



The value of an investment in the fund, and any income from it, can fall as well as rise and investors may not get back the amount invested.

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